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American Petroleum Institute
1220 L Street, Northwest
Washington, D.C. 20005

Monthly Statistical Report

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SUMMARY

Total deliveries fell an unusually large 5.0 percent in February. All major products except kerosine jet fuel shared in the decline, though, particularly for gasoline and distillate fuel oil, deliveries appeared weaker than likely underlying consumption. For total consumption, the underlying decline trend—the result of the continued sluggishness of the economy, combined with the lagged effect of higher product prices in previous months—is estimated to be closer to 2.5 to 3.5 percent.

Crude oil production for February, in contrast to its steady decline trend over the past five years, rose year to year—though only by 1.4 percent. After nearly five years of decline, lower 48 production, which according to the most recently available data has been inching upwards month by month since the middle of last year, was roughly even with year-ago levels—but still more than 20 percent below its 1985 average. Alaskan production also increased year to year for the second month in a row, by 2 percent.

Notably, because of February's unusually large drop in deliveries and the increase in domestic crude oil production, less of the month's nearly 16 percent drop in imports was the reflection merely of stock movements and more of it an indication of fundamental supply/demand factors. We estimate that the underlying trend in imports requirements in February was running about half a million B/D below a year ago.

Product imports, in particular, have remained weak in recent months as a result of sluggish demand and foreign prices which have often been unattractive to domestic purchasers. About four-fifths of February's year-to-year decline in imports was in the form of products. Crude oil imports, on the other hand, have edged up slightly in the early months of 1991, supplemented in February by deliveries from the Strategic Petroleum Reserve averaging about 150 thousand B/D, according to the Department of Energy.

Meanwhile, amounts supplied from the drawdown of primary inventories, which had been taking the place of a significant portion of imports since the end of last July, moderated in February. After being drawn down by over 100 million barrels between the end of July and the end of January—a daily rate of about 600 thousand B/D—total inventories slipped only 3 million barrels in February. Month-end inventories of crude and products continued at levels below recent-year averages, but a moderate cushion above minimum operating levels remained.

Refineries' input to distillation units was up in February from January's low level, but was still down 3.2 percent versus a year ago. Production of distillate fuel oil and kerosine jet fuel, however, still increased 3.5 and 2.9 percent, respectively.

PRODUCT SUPPLIED[1]

Gasoline

DELIVERIES DROP AN UNUSUAL AN 5 PERCENT.

Gasoline deliveries' unusually large, 5.0 percent decline in February considerably exceeded any likely decline in actual consumption, estimated at closer to 2.5-3 percent. The month's deliveries were roughly 150-200 thousand B/D below the trend of recent prior months, if normal seasonal patterns are taken into account. With the rapid decline in prices in recent months, it may be that some distributors and end-users (perhaps commercial users more than individual consumers) concluded that it might be advantageous to delay some purchases.

These price declines resulted at the retail level in a monthly average price for February, adjusted for inflation, only about 5 percent higher than one year earlier—essentially equal to the increase in excise taxes over the period. During last year's fourth quarter, retail prices had averaged nearly 30 percent higher than year-earlier levels on an inflation-adjusted basis.

With the decline in retail prices over the past several months, the continued weakness in gasoline deliveries appears to be increasingly the result of the weak economy more than of higher prices, though the lagged effects of higher prices in earlier months have likely persisted to some extent. The softness in demand is evident in the most recent data on highway travel, which continue to show only marginal growth at best. Once account is taken of the continued improvement in fleet fuel efficiency, this translates into an indicated decline in demand for gasoline roughly in line with the estimated trend.

	API ESTIMATES FEBRUARY		YEAR-TO-DATE	
	Million B/D	Percent Change	Million B/D	Percent Change
Total domestic deliveries	16.2	(5.0)	16.5	(3.1)
Crude production[2]	7.5	1.4	7.5	0.1
Total imports[2]	7.0	(15.9)	7.1	(18.2)
Stocks (million bbl)[2]	1,009	(4.6)	na	na

Distillates

LARGE DECREASE NOT EXPLAINED BY WEATHER. As with gasoline, distillate deliveries fell substantially in February—by 8.1 percent from a year ago, though the underlying trend in consumption is estimated to be closer to a 3 percent decline. As with gasoline, shifts in nonprimary inventories may have distorted the month's deliveries data.

February's unusually warm weather, on the other hand, does little to explain the month's large decline. Though this February's mild weather, roughly 15 percent warmer than normal, weakened demand for heating oil, last February's weather was also unusually mild. Thus, the net effect on the year-to-year comparison was likely negligible.

In fact, the heating season to date has been unusually warm, averaging an unusually large, 10 percent warmer than normal, and more than this in some of the main heating oil consuming regions. By comparison, weather over the 1989-90 heating season, though fluctuating between extremes of both unusually frigid and unusually mild weather, averaged near normal over the period as a whole. Thus, we estimate that over the past five months, warm weather has depressed distillate demand versus the prior year by roughly 100 thousand B/D or 3 percent.

Residual Fuel Oil

DECLINE MODERATES. In contrast with the larger-than-typical declines for gasoline and distillate, deliveries of residual fuel fell 7.2 percent in February—the smallest rate of decline since last August. It was only the second month in the past twelve that resid supplied surpassed the 1.3 million B/D mark. The moderation in the rate of decline (which had averaged 22 percent since August) resulted, in part, from more competitive resid prices, but was at least partially due to below-trend deliveries a year ago. Despite the relative improvement, we still estimate underlying consumption to be dropping by more than 10 percent, year to year.

Resid prices continued to fall in February, thanks both to declining crude costs and to modest electricity demand in the East (up only about 2 percent, even against depressed demand a year ago). At month's end, spot prices were about $3/barrel, or more than 15 percent, lower than prior to the Iraqi invasion. Natural gas prices, meanwhile, also declined, but at month's end, were only about 3 percent lower than the end of July. Still, despite improvement in price competitiveness, high secondary resid inventories and declining resid prices may have encouraged some utilities to put off spot purchases.

Already building last summer before the invasion, utility inventories of resid increased throughout the fall. In the mid-Atlantic states, whose utilities account for about a third of the nation's resid-fired generation, stocks were more than 15 percent above year-before levels on December 1, while consumption in the previous month had dropped nearly 40 percent. Given consumption rates at the time, the year-to-year change in stocks accounted for about 3 weeks of additional supplies. While no utility data are yet available for 1991, it is believed that, with moderate winter weather and abundant natural gas in January and February, utility resid stocks remain relatively high.

Kerosine Jet Fuel

DELIVERIES REVERSE PREVIOUS SLIDE. Jet fuel deliveries rose 6.6 percent in February, ending a two month slide in which they fell 9 percent, year to year. While there is evidence that airline travel picked up during the second half of February from depressed January levels, the growth in jet fuel deliveries reflects below-trend deliveries a year ago more so than a significant pick-up in travel for the month. We estimate miles flown, a good indication of underlying consumption, to have been flat or slightly declining for the month as a whole, but perhaps trending up at month's end.

Growth in passenger travel had been positive, albeit sluggish, in the months leading up to the start of the Persian Gulf War. However, with smaller load factors, aircraft miles were increasing at about 5 percent. After the start of war, that growth was reversed; for January, miles flown declined about 1 percent, and during the second half of that month, the rate of decline is estimated to have been in the 5 percent range. But travel demand reportedly rebounded moderately in early February, and bookings are said to have increased more significantly since the end of the war.

Other Oils

DOWN 4.2 PERCENT FOR THE MONTH. Deliveries of "other oils" dropped 4.2 percent in February, reversing January's increase. Since year-ago deliveries had already been below trend due to warm weather's effect on propane usage and slack purchases of ethane for petrochemical usage, February's decline actually displayed greater weakness than might at first be apparent—but just as with gasoline and distillate fuel oil, likely overstates underlying sluggishness in consumption.

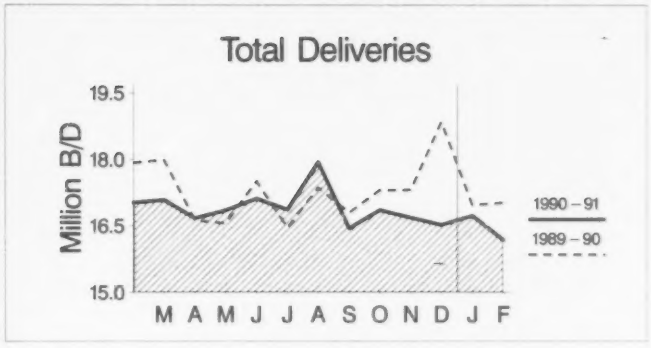
SUPPLY[1]

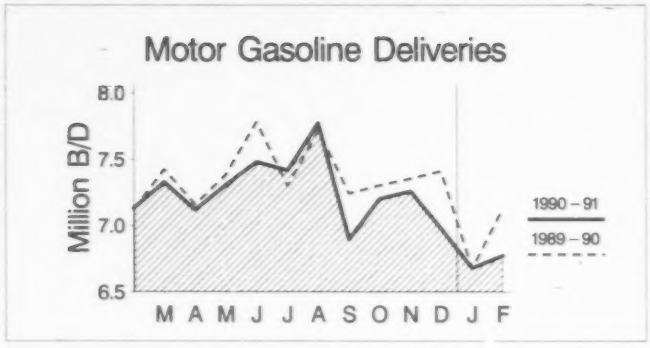
Production

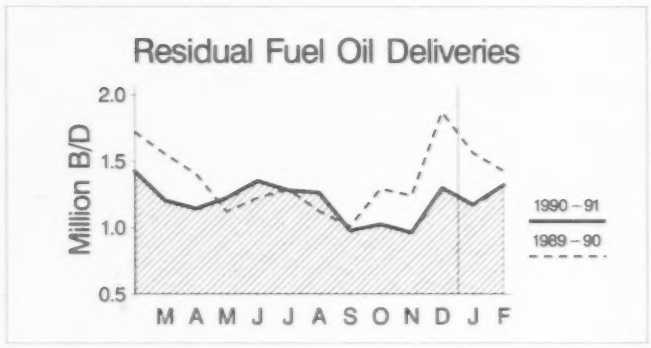
CRUDE OUTPUT INCREASES. Signs that the decline in U.S. crude oil production has been moderating continued to accumulate in February. An extremely rare event in recent years, total domestic crude oil production rose year to year—although only slightly. The 1.4 percent increase contrasts with a decline rate that has averaged about 4 percent per year between 1985 and 1990. Production in Alaska continued to reflect recent production enhancements on the North Slope, rising 2.0 percent over a year ago.

The decline in lower 48 production of the past several years also has apparently been interrupted in recent months. Though production there was only about even with year-ago levels in February, a quarter-by-quarter comparison shows a moderate increase in lower 48 production since the third quarter of last year. Then, production outside Alaska averaged 5.44 million B/D, according to current estimates; fourth quarter production rose to an estimated 5.51 million B/D, and the first two months of this year have averaged 5.55 million B/D.

These increases, though a significant departure from the prior trend, are still relatively small in comparison to the size of the decline of the previous five years. Lower 48 production in







February was still more than 20 percent or 1.6 million B/D below the average 7.1 million B/D produced in 1985. Over that period, Alaskan production, reflecting recent enhancements, was up about 6 percent or 100 thousand B/D.

Natural gas liquids production also rose by about 60 thousand B/D in February. Output in recent months has returned to levels not experienced for a year and a half.

Imports

STRENGTHENING FOR CRUDE, BUT PRODUCTS DOWN.

Particularly noteworthy in February's 1.3 million B/D, nearly 16 percent decline in imports was that, compared with recent prior months, less of it was a reflection merely of differences in inventory movements and more of it an indication of more fundamental factors—in particular, the roughly 850 thousand B/D drop in deliveries and 165 thousand B/D increase in domestic crude oil and NGL production. While it is true that February's imports decline was augmented by a number of unique factors, including the unusually large drop in deliveries and the release of stocks from the Strategic Petroleum Reserve, we estimate that the underlying trend in imports requirements in February was running about half a million B/D below a year ago.

Crude oil imports have edged up in the past month or two as the substantial draw on domestic petroleum inventories, evident since the end of July, has moderated. Crude oil imports had averaged less than 5 million B/D during the fourth quarter, down from over 6 million B/D just prior to the invasion of Kuwait last August. So far this year, crude imports have been running at about 5.6 million B/D.

In February, the commencement of deliveries from the January sale from the Strategic Petroleum Reserve also added to domestic crude oil volumes. According to the Department of Energy, about one quarter of the total 17.3 million barrels sold were delivered, equivalent to about 150 thousand B/D in additional crude oil supplies for the month. (In the petroleum balance which accompanies this report, deliveries from the SPR are reflected under "other supply").

Meanwhile, product imports continued at levels even lower than in recent months. February's 1.3 million B/D was the lowest monthly level in nearly ten years, the result of weaker demand and world prices which have often been unattractive to domestic purchasers. Imports of gasoline, distillate and kerosine jet fuel were all only about 30 to 40 percent of their year-ago levels, while imports of residual fuel oil were down by about a third.

With the season's generally warmer-than-normal weather continuing to depress domestic heating-related demand in February, combined with extreme cold in Europe averaging a substantial 5 to 10 degrees colder than normal from late January into mid-February, incremental distillate supplies in the Atlantic basin likely went to the areas of strongest demand. Thus, although solid data on exports will not be available for another two months, distillate exports were likely higher than typical for February.

Refinery Operations

UP FROM JANUARY, DOWN VERSUS A YEAR AGO.

Refinery activity, though increasing from January's low level, was still down from a year ago in February. Input to distillation units rose from 12.8 million B/D in January to 13.2 million B/D in February, but year to year fell 440 thousand B/D or 3.2 percent. Gasoline production dropped 5.4 percent, mainly the result of a comparison against unusually strong out-

put last February. Distillate and kerosine jet fuel output rose 3.5 percent and 2.9 percent, respectively, while residual fuel oil output declined 1.4 percent.

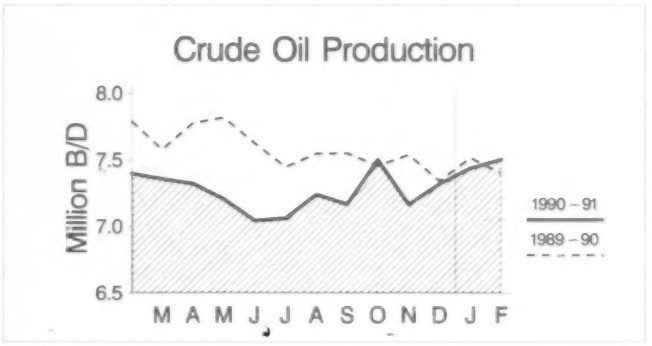
Utilization of capacity in actual operation averaged about 88 percent for the month, while for reported capacity, utilization of 84.4 percent was down 3.5 percentage points from last February's 87.9 percent rate.

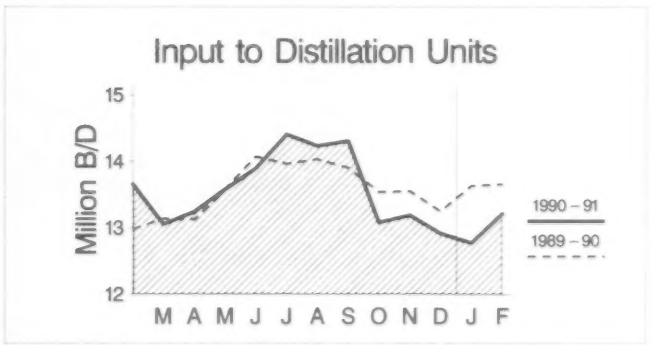
Inventories

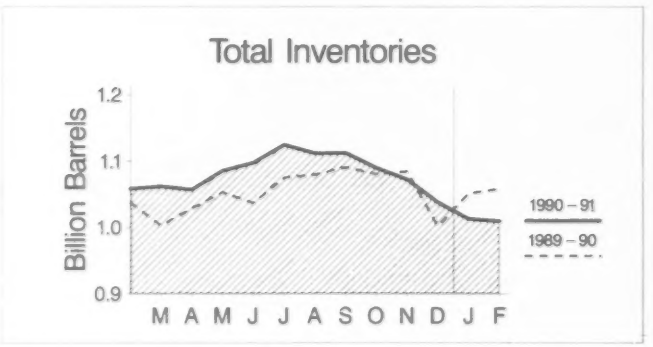
PROLONGED DRAW MODERATES. The substantial decline in total inventories that had been taking place since the end of July—amounting to over 100 million barrels—showed signs of levelling off in February. Stocks declined only about 3 million barrels or about 120 thousand B/D, versus an average 600 thousand B/D during the previous six months. The typical stock draw for February in recent years has been about 20 million barrels.

Crude oil stocks rose by 5 million barrels to 333 million barrels, still towards the lower end of the range for that month in recent years but more than 30 million barrels above the estimated minimum operating level. Inventories of the major products, as well, each remained roughly 15 to 20 million barrels above their estimated minimum operating levels.

Gasoline inventories, declining 2 million barrels to 223 million barrels, reversed the small increases of the previous two months. Distillate stocks, already at lower-than-typical levels at the end of January, declined only 7 million barrels in February or less than half the recent-year average for the month. Instead, a greater share of supply came from current refinery output. With the end of the heating season approaching, month-end stocks stood at 103 million barrels, down 9 million barrels from a year ago but close to 20 million barrels above estimated minimum operating levels.







1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 582 million barrels as of February 28, 1991).

ESTIMATED UNITED STATES PETROLEUM BALANCE
(Daily Average in Thousands of 42 Gallon barrels)

Products Supplied/Supply From Primary Storage	FEBRUARY			YEAR-TO-DATE		
	1991[1]	1990[2]	% Change	1991[3R]	1990[2]	% Change
Products Supplied:						
Total motor gasoline	6,772	7,129	(5.0)	6,723	6,891	(2.4)
Finished leaded motor gasoline/*	262	472	(44.5)	271	436	(37.8)
Finished unleaded motor gasoline/*	6,510	6,657	(2.2)	6,452	6,455	0.0
Naphtha-jet	153	203	(24.6)	163	192	(15.1)
Kerosine-jet	1,349	1,265	6.6	1,315	1,319	(0.3)
Distillate fuel oil	2,986	3,250	(8.1)	3,242	3,212	0.9
Residual fuel oil	1,321	1,424	(7.2)	1,243	1,496	(16.9)
All other oils[4]	3,779	3,945	(4.2)	3,955	3,972	(0.4)
Reclassified[5]	-180	-191	(5.8)	-176	-87	102.3
Total domestic products supplied	16,180	17,025	(5.0)	16,465	16,995	(3.1)
Exports	1,178	822	43.3	1,093	763	43.3
Total products supplied	17,358	17,847	(2.7)	17,558	17,758	(1.1)
Supply:						
Domestic production:						
Crude oil[6]	7,501	7,394	1.4	7,466	7,455	0.1
Natural gas liquids	1,617	1,558	3.8	1,665	1,541	8.0
Other supply[7]	1,142	850	34.4	827	962	(14.0)
Total domestic supply	10,260	9,802	4.7	9,958	9,958	0.0
Imports:						
Crude oil, tota[8]	5,604	5,847	(4.2)	5,604	6,023	(7.0)
Canadian	771	581	32.7	775	591	31.1
Other	4,833	5,266	(8.2)	4,829	5,432	(11.1)
Products, total	1,373	2,447	(43.9)	1,540	2,707	(43.1)
Residual fuel oil	446	640	(30.3)	407	729	(44.2)
Other	927	1,807	(48.7)	1,133	1,978	(42.7)
Total imports	6,977	8,294	(15.9)	7,144	8,730	(18.2)
Total supply	17,237	18,096	(4.7)	17,102	18,688	(8.5)
Stock change, all oils	-121	249	*****	-456	930	*****
Refinery Operations						
Input to crude oil distillation units	13,210	13,653	(3.2)	12,978	13,640	(4.9)
Operable capacity	15,654	15,540	0.7	15,654	15,536	0.8
Refinery utilization (%)[9]	84.4	87.9	(4.0)	82.9	87.8	(5.6)
Crude oil runs	13,052	13,494	(3.3)	12,801	13,496	(5.1)

Stocks (millions bbls.)	1991		1990[2]	% Change from	
	Feb. 28[10]	Jan. 31[10]	Feb. 28	Previous Month	Year Ago
Crude oil[8]	333.3	328.0	343.1	1.6	(2.9)
Unfinished oils	102.9	100.2	106.5	2.7	(3.4)
Total motor gasoline/**	222.6	224.7	245.7	(0.9)	(9.4)
Finished leaded motor gasoline/*	9.2	9.7	15.4	(5.2)	(40.3)
Finished unleaded motor gasoline/*	172.6	176.5	185.9	(2.2)	(7.2)
Naphtha-jet	5.9	5.7	6.3	3.5	(6.3)
Kerosine-jet	42.6	44.6	40.1	(4.5)	6.2
Distillate fuel oil	103.3	110.7	112.2	(6.7)	(7.9)
Residual fuel oil	46.0	48.3	51.5	(4.8)	(10.7)
All other oils	152.7	150.5R	152.6	1.5	0.1
Total all oils	1,009.3	1,012.7R	1,058.0	(0.3)	(4.6)

/1 Based on API estimated data converted to a monthly basis.
/2 Source: U.S. Department of Energy.
/3 Source: API.
/4 Includes crude losses.
/5 Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from the total domestic products supplied.
/6 API estimate; includes lease condensate.
/7 Includes Unaccounted-for crude oil, Processing gain and Field Production of other hydrocarbons and alcohol.
/8 Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
/9 Represents "Input to crude oil distillation units" as a percent of "Operable capacity".
/10 Derived by interpolating API weekly stocks data.
/R Revised.
/* Included in motor gasoline.
/** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.